# NEI Canadian Equity RS Fund

## Q1 2025 Commentary

NEI

## Performance

The Fund (Series I) underperformed the benchmark for the quarter.

**Returns**

| Fund | 3 months | 6 months | YTD | 1 year | 3 years | 5 years | 10 years | Since inception[1] |
|---|---|---|---|---|---|---|---|---|
| NEI Canadian Equity RS Fund Series I | 1.03 | 2.86 | 1.03 | 12.67 | 8.29 | 17.48 | 8.41 | N/A |
| NEI Canadian Equity RS Fund Series A | 0.43 | 1.62 | 0.43 | 9.95 | 5.69 | 14.68 | 5.78 | N/A |
| NEI Canadian Equity RS Fund Series F | 0.73 | 2.24 | 0.73 | 11.31 | 6.99 | 16.09 | 7.08 | N/A |
| *Benchmark 1: S&P/TSX Composite TR Index* | 1.51 | 5.33 | 1.51 | 15.81 | 7.77 | 16.76 | 8.54 | N/A |

[1]Source: Morningstar. As of March 31, 2025. Since inception is only provided for Funds with less than 10 years of performance.

## Portfolio commentary

Underperformance in the quarter was mostly caused by less exposure to gold-related equities compared to the TSX. Investments in the consumer discretionary and industrials sectors also were a drag on performance. Mostly offsetting the headwinds in the quarter were the Fund's holdings of utilities, financials, and energy stocks.

The Fund's top contributing investments in the quarter were Franco Nevada Corp., Quebecor Inc. and Intact Financial Corp. The largest detractors were TFI International Inc., BRP Inc. and Alimentation Couche-Tard Inc.

No new investments were initiated upon in the quarter, while Canadian Tire Corp., Empire Co., and Telus International were all exited. The Fund began investing in Empire years ago when its valuation was near all-time lows. It since grew in value closer to a level where the sub-advisor surmised their margin of safety was not quite as strong as it was before. In Canadian Tire, it became more apparent after many years of patiently waiting that the business is not performing to the level the sub-advisor thinks it's capable of. Financial performance had been disappointing for a while though the turnaround into greater fortunes had yet to make meaningful progress. Thus, the position was sold while the market valuation was reasonable enough and the proceeds moved into other opportunities. All shares of Telus International had been progressively sold over time after the company lost business from key customers and price competition in its markets intensified.

During the quarter, U.S. tariff threats conjured fears of a slowdown in the economy. Amid the volatility, the market presented a few compelling opportunities. Several high-quality industrial companies which the Fund has been a long-term shareholder in became more appealing for additional investment during Q1. These included the Caterpillar equipment dealer Finning International Inc., railway companies Canadian National and Canadian Pacific, the transportation giant TFI International Inc., and Richelieu Hardware Ltd. A handful of others were added to as well.

There were some casualties to the tariff turbulence. Auto parts suppliers Magna International Inc. and Linamar Corp., and the recreational vehicles leader BRP Inc., all suffered because of their major manufacturing bases being in Mexico, Canada, and Europe. Their total weights in the Fund were limited heading into the ordeal reducing the total impact to the strategy. The "on-again, off-again" pattern of the U.S. tariffs on Canadian and Mexican goods makes it difficult to predict what might happen from here and there will likely be an overhang on these companies for some time. The sub-advisor endeavours to manage the risk in the strategy to this threat, though for now they think that the possibility of a resolution being reached presents significant upside to patient investors.

## Outlook

One of the most fascinating trends in the market is the ongoing bull market in gold prices to all time highs which is signalling that the market is concerned about geopolitics, monetary policy, inflation, and stability of the global economy.

Canada's banks, which have more on the line in understanding the big picture of the economy than any other group of businesses in the country, each offered somewhat mixed outlooks about what might happen. The "known unknowns" which are clouding the outlook for banks and investors alike are significant and will dominate the market's mind over the near term. The level, duration, and breadth of U.S. tariffs on foreign goods will likely be the dominant matter. Soon, Canada will go to the polls for a national election which could define how its trade relationship with the U.S. evolves.

While many changes will take shape in the near-term, the sub-advisor's commitment to managing risk to protect client wealth by investing for the long-term in quality companies with a margin of safety, will not be altered. This discipline has endured years of transformations in the economy and political landscape, providing confidence that the Fund will be well positioned for any further volatility in the market.